

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

**Lloyd Hinn, Jr.,**  
Appellant,

v.

**Plymouth County Board of Review,**  
Appellee.

**ORDER**

**Docket No. 14-75-0044**  
**Parcel No. 12-17-376-004**

On November 25, 2014, the above-captioned appeal came on for consideration before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) (2013) and Iowa Administrative Code rules 701-71.21(1) et al. Appellant Lloyd Hinn, Jr. of HHB, Inc. Property Tax Consultants, appealed on behalf of Le Mars Motel, Inc., and requested a written consideration. County Attorney Darin Raymond is legal counsel for the Board of Review and Assessor Robert Heyderhoff represented it in the appeal. The Appeal Board now, having examined the entire record, and being fully advised, finds:

***Findings of Fact***

Lloyd Hinn, Jr. protested on behalf of Le Mars Motel, Inc., the owner of property located at 1201 Hawkeye Avenue SW, Le Mars, Iowa. The real estate was classified commercial on the January 1, 2014, assessment and valued at \$1,048,210, representing \$316,500 in land value and \$731,710 in improvement value. According to the record, the subject is doing business as an economy/limited service Super 8 Motel. It is a three-story building built in 1989 with 25,498 square feet of gross building area and 61 rooms. It has typical hotel accoutrements, such as 42,000 square feet of concrete pavement, yard lights, fencing, and signage, as well as an indoor pool and hot tub. The site is 2.33 acres.

Hinn protested the assessment to the Plymouth County Board of Review on the ground that the property was assessed for more than authorized by law under Iowa Code section 441.37(1)(a)(1)(b). He asserted the correct fair market value is \$898,210. The Board of Review denied the protest.

Hinn then appealed to this Board asserting a change in value under sections 441.37(1)(a)(2) and 441.35(2). Although 2014 would typically be an interim assessment year, in this case the assessor revalued and changed the 2014 value from what it was the previous year; as a result, all grounds of appeal were available. *Eagle Food Centers, Inc. v. Bd. Of Review of City of Davenport*, 497 N.W.2d 860, 862 (Iowa 1993). Further, in a re-assessment year, a challenge based on downward change in value is akin to a market value claim. *See Dedham Co-op. Ass'n v. Carroll County Bd. of Review*, 2006 WL 1750300 (Iowa Ct. App. 2006). Accordingly, we do not consider downward change as a separate claim and consider only the claim of over-assessment.

We note, a notation on the property record card indicates the site size was changed from 2.40 acres to 2.33 acres after the completion of a 2013 survey. This error correction resulted in a reduction in the land value and a new assessment roll in 2014.

The current owners purchased the subject property in May 2010 for \$1,050,000, which Hinn contends included \$150,000 of fixture, furniture, and equipment (FF&E). Hinn also submitted the December 31, 2010, balance sheet for the subject property that lists the FF&E's book value at \$150,000. (Exhibit E). The Board of Review submitted a copy of the Declaration of Value (DOV), signed by the seller that identifies the sale of the real property was \$1,050,000. The DOV did not identify any personal property or FF&E in the transaction. Hinn's requested assessment of \$898,210 essentially subtracts the \$150,000 FF&E value from the current assessment ( $\$1,048,210 - \$150,000 = \$898,210$ ). We find the evidence is conflicting, incomplete, and unsupported regarding the current value of the FF&E.

In his protest to the Board of Review, Hinn identified four sales of motels but states his opinion that only one sale property, the Rodeway Inn in Cedar Rapids, should be used as a comparable. (Exhibit F). It sold on contract for a price of \$745,000 and is newer than the subject, yet sold for less per-square-foot than the subject's assessment. He reported the sale price would actually be \$595,000 or \$27.06 per-square-foot, after it is adjusted to exclude the value of the FF&E. The sales price was not adjusted to account for differences between it and the subject property. The subject property is assessed higher on per-square-foot basis than the Rodeway Inn, but we note the subject sold for \$41.17 per-square-foot and that supports its \$41.11 per-square-foot assessment. Although, it is typical to compare hotels on a per-room basis, not a per-square-foot basis.

Location	County	Year Built	Rooms	Sale Date	Sale Price	Square Feet	PSF	SP per Room
Subject	Plymouth	1989	61	May-10	\$1,050,000	25,498	\$41.17	\$17,213
Rodeway Inn Cedar Rapids	Linn	1993	48	Apr-13	\$745,000	21,991	\$33.87	\$15,521

Hinn provided a December 2013 STR report for the property (Exhibit C) comparing its performance to like motels in the area. The competitive set included seven Iowa economy-class motels in Dubuque, Sioux City, Sioux Center, Orange City, and Le Mars with between 34 and 150 rooms. We note Dubuque and Sioux City are large population centers, as compared to the other locations. The subject's average daily rate (ADR) for 2013 was \$50.21 as compared to like motels in the area with an ADR of \$76.85 (Exhibit C). The subject property's occupancy rate is 35.7% as compared to an average of 59.8%. Hinn opines that this report indicates the subject property is valued less than its competitors. However, no income approach to value was developed.

The record also includes a spreadsheet of four properties, which are comparable sales submitted by the Plymouth County Assessor. The comparison is based on a per-square-foot basis which is atypical. The number of hotel rooms was not provided. The following chart summarizes these properties.

Location	County	Year Built	Sale Date	Sale Price	Square Feet	PSF
Quality Inn, Sioux City	Woodbury	1993	Apr-12	\$1,750,000	27,548	\$63.52
Super 8, Oskaloosa	Mahaska	1985-1993	Jun-12	\$1,050,000	20,386	\$51.50
Settle Inn, Harlan	Shelby	2008	Jan-14	\$1,770,000	23,674	\$74.76
Baymont Inn, Boone	Boone	1998	Mar-14	\$2,575,000	28,294	\$91.00

The record includes a letter from Assessor Heyderhoff. In it, Heyderhoff commented that the Harlan property he identified would have an adjusted sale price of \$52.33 per-square-foot, if adjustments were made for differences between it and the subject. We note that the property was built in 2008 and is almost 20 years newer than the subject property. Hinn also reports LoopNet lists the Harlan property as a full-service hotel unlike the subject property. Heyderhoff did not provide an analysis of the sales or adjust the sale prices. While the unadjusted sale prices support the assessment, because the sales were not adjusted for differences, we give this data no consideration.

### ***Conclusions of Law***

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. This Board is an agency and the provisions of the Administrative Procedure Act apply. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review, but considers only those grounds presented to or considered by the Board of Review. §§ 441.37A(3)(a); 441.37A(1)(b). New or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct. § 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2). The property's assessed value shall be one hundred percent of its actual value. § 441.21(1)(a).

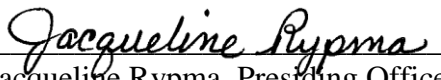
In an appeal alleging the property is assessed for more than the value authorized by law under section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995).

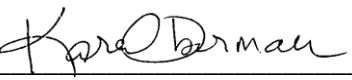
The sales-comparison method is the preferred method for valuing property under Iowa law. *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d at 398; *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 779 (Iowa 2009); *Heritage Cablevision v. Bd. of Review of Mason City*, 457 N.W.2d 594, 597 (Iowa 1990). "[A]lternative methods to the comparable sales approach to valuation of property cannot be used when *adequate* evidence of comparable sales is available to *readily* establish market value by that method." *Compiano*, 771 N.W.2d at 398 (emphasis added). "Thus, a witness must first establish that evidence of comparable sales was not available to establish market value under the comparable-sales approach before the other approaches to valuation become competent evidence in a tax assessment proceeding." *Id.* (citing *Soifer*, 759 N.W.2d, at 782); *Carlson Co. v. Bd. of Review of Clinton*, 572 N.W.2d 146, 150 (Iowa 1997). Before relying on the income approach or other factors, a party or witness must first establish that comparable sales are not available to value the property. *Compiano*, 771 N.W.2d at 397-99; § 441.21(2).

Both Hinn and Heyderhoff identified recent sales of hotel/motel properties located in Iowa, but the sales prices were not adjusted for differences between these properties and the subject property. No other approaches were developed to value the subject property. Additionally, no appraisal or comprehensive market analysis was offered into evidence. Further, Hinn's request that the assessment be reduced to account for FF&E allegedly included in the sale is not supported by the evidence. We conclude that Hinn has not shown the property is assessed for more than authorized by law.

THE APPEAL BOARD ORDERS the 2014 assessment of the property located at 1201 Hawkeye Avenue SW, Le Mars, Iowa, is affirmed.

Dated this 26th day of December, 2014.

  
Jacqueline Rypma, Presiding Officer

  
Karen Oberman, Board Member

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